

What errors are commonly made by payers?

Some common errors include:

- Sending combined files to FTB. Do not send a file to FTB if you elected to use the Combined Program.
- Forgetting to check box on software that creates the file in the combined file format.
- Disregarding limitation of some software applications that allow fewer different State codes than entered by the user.
- Missing combined file indicator position 26 of the A record.
- Missing or incorrect State code in position 747-748 of the B and K Records.
- An incomplete or inaccurate Taxpayer Identification Number (TIN) for the recipient or the payer.
- An incomplete or inaccurate recipient name, address, or payment amount.
- Misclassification of employees and independent contractors. If, as an employer, you have the right to control what will be done and how it will be done, the recipient generally should be classified as an employee. This applies even if you do not exercise your right to direct and control.

Independent contractor or employee?

The following resources may help you decide:

IRS Publication 15-A, *Employer's Supplemental Tax Guide*.

Request a determination from the IRS by filing a Form SS-8, *Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding*.

Contact the Employment Development Department (EDD) at (888) 745-3886 or www.edd.ca.gov for information on state and federal differences.

Accurate reporting helps you avoid penalties and helps the recipient keep complete records.

Where is additional information available?

Franchise Tax Board
www.ftb.ca.gov

Information Reporting
What and How to File
(916) 845-6304
IRPhelp@ftb.ca.gov

Magnetic Media/Internet Files
(916) 845-3778
DESHELP@ftb.ca.gov

Withholding Services/Compliance
(888) 792-4900

CA Tax Information Center
www.taxes.ca.gov

Tax Info/Refund/Forms
(800) 338-0505

Tax Assistance
(800) 852-5711

Internal Revenue Service
www.irs.gov

Information Reporting Assistance
(866) 455-7438
mccirp@irs.gov

Online application for EIN
www.irs.gov

Tax Forms
(800) 829-3676

Remember

Timely and accurate information return reporting allows recipients to correctly report their income.

1099 Reporting for California Businesses



Franchise Tax Board
www.ftb.ca.gov

The Franchise Tax Board (FTB) has prepared this reference guide to help you file your Forms 1099.

Who files Forms 1099?

Individuals, partnerships, corporations, or other organizations engaged in a trade or business are required to file information returns (Forms 1099). Reporters must file information returns with IRS and FTB and furnish statements to recipients (copy B of the IRS Form 1099).

What payments are reported on Forms 1099?

Payments of \$10 or more, relating to:

- Interest
- Stock dividends or distributions
- Royalties
- Unemployment compensation
- State tax refunds
- Original issue discount

Payments of \$600 or more for:

- Non-employee services.
- Real estate commissions to brokers and agents.
- Rent.
- Providers of health and medical services.
- Liquidation distributions.
- Crop insurance proceeds.
- Cancellation of debt.
- Certain health insurance premiums.

Payments (regardless of the amount) for:

- Acquisition or abandonment of property secured for debt.
- Broker or barter transactions.
- Fishing boat proceeds.
- Pension distributions.
- Long-term care and accelerated death benefits.
- Gross proceeds paid to an attorney in connection with legal services.
- Proceeds from sale or exchange of real estate.
- Distributions from an IRA.
- Certain medical savings account distributions.

- Earnings from a qualified tuition program.
- Qualified health insurance payments on behalf of eligible individuals.
- Corporations which undergo a change in corporate control or a substantial change in capital structure.

Generally, payments made to corporations are not reportable. However, certain payments to corporations require a Form 1099, including payments for medical/health services and legal services. See IRS instructions for Forms 1099, 1098, 5498, and W-2G for other payments that must be reported or contact the Information Reporting Call Site at (866) 455-7438, Mon-Fri, 8:30 a.m. to 4:30 p.m. EST.

How do I file Forms 1099?

Electronic Filing or Magnetic Media

Both the IRS and FTB offer Electronic Filing for transmitting information returns. File formats follow the IRS Publication 1220.

If you are required to file 250 or more information returns, you must file electronically or magnetically. The 250-or-more requirement applies separately to each type of form. We encourage you to file electronically or magnetically even though you are filing fewer than 250 returns.

Some of the advantages of filing electronically are:
It's paperless... there are no paper transmittal forms.
It's secure... the system supports SSL 128-bit encryption.

It's easy to use... send files conveniently from your own PC.

It's efficient... online notification within one week.

It's fast... reduce transmission time by up to 95 percent.

It's flexible... due dates are extended to March 31 for electronically filed Forms 1099.

If a due date falls on a weekend or holiday, it is extended to the next business day.

Combined Filing

We encourage you to request permission from the IRS to participate in the Combined Federal/State Filing Program for electronic and magnetic media filers. Filing under this program allows you to report directly to the IRS. The IRS will select and forward the state's returns, saving you the cost and effort of having to produce a separate state media file. Do not send a file to FTB if you elected to use the Combined Program.

If you do not use the Combined Program and file 250 or more returns (per return type), you are required to file electronically or magnetically with both IRS and FTB.

For Data Exchange assistance:

IRS

(866) 455-7438

fire@irs.gov

Franchise Tax Board

(916) 845-3778

DESHELP@ftb.ca.gov

Paper Filing

If you do not file electronically or magnetically, you must file your paper Forms 1099 with the IRS along with transmittal Form 1096. When you file paper returns, IRS will forward the California information to FTB. Do not send the State copy of the paper form to IRS. You may keep it in your records.

When are Forms 1099 due?

Generally you must furnish the information returns to the recipient by January 31 and to the IRS and FTB by February 28, following the year of payment. However, the due date for filing electronically with the IRS and FTB is March 31. An extension to file may be submitted to the IRS and FTB by the filing due date. For the IRS, use Federal Form 8809. For the State of California, use form FTB 6274A.